



Information Partners Can Use on:

FEHBP

New Medicare Prescription Drug Coverage

As of February 21, 2006

If you have Federal Employees Health Benefits (FEHBP) coverage and Medicare, you need to know

1. Starting January 1, 2006, Medicare prescription drug coverage became available to everyone with Medicare, including you.
2. There are several factors to consider when deciding whether you should join a Medicare prescription drug plan.
3. It will almost always be to your advantage to keep your current coverage without any changes. The exception is for those with limited incomes and resources who qualify for Medicare's extra help with prescription drug costs (See section 3 for additional information). Contact your FEHBP insurer for information about your FEHB coverage before making any changes.
4. Because all FEHBP plans have as good or better coverage than Medicare, they are considered "creditable coverage." So, if you decide not to join a Medicare drug plan now, but change your mind at a later time, you can do so without paying the late enrollment penalty.

1. What is a Medicare prescription drug plan?

Medicare drug plans provide insurance coverage for prescription drugs. These plans are offered by insurance companies and other private companies. Plans cover both generic and brand-name prescription drugs. You can choose a plan that meets your needs.

There are two types of Medicare drug plans:

- There are prescription drug plans that add coverage to the Original Medicare Plan (fee-for-service),

Medicare Private Fee-for-Service Plans that don't offer prescription drug coverage, and Medicare Cost Plans.

- There are also prescription drug coverage that is part of Medicare Health Plans (Medicare Advantage and other Medicare Health plans). You would get all of your Medicare healthcare and prescription coverage through these plans.

2. Should people with FEHBP sign up for the new Medicare drug coverage?

Generally, people with FEHBP would gain little additional coverage by signing up for a Medicare drug plan. The exception is those who have limited incomes and resources who qualify for Medicare's extra help and could gain significant additional coverage. See question 3 on the next page for more information on Medicare's extra help. The following questions and answers may help you in making a decision:

Q: Is my FEHBP pharmacy benefit reduced because Medicare now offers prescription drug coverage?

A: No. Your FEHBP coverage does not change as a result of the new Medicare prescription drug coverage.

Q: Do I have to join a Medicare drug plan to keep my current FEHBP drug benefit?

A: No.

Q: If I don't join a Medicare prescription drug plan now, can I change my mind and join later without having to pay a late enrollment penalty?

A: Yes, you can join later without having to pay a penalty. People with FEHBP may enroll in a Medicare prescription drug plan from November 15 to December 31st each year at the regular monthly premium rate

because FEHBP is creditable coverage. However, if you lose FEHBP coverage, you must join a Medicare prescription drug plan within 63 days or you will pay the monthly premium plus a late enrollment penalty. (NOTE: The open season dates for FEHBP vary each year. Check www.opm.gov/insure for the annual dates.)

Q: If I join a Medicare prescription drug plan now and keep my FEHBP coverage, which plan pays its benefits first (primary) and which plan pays its benefits second (secondary)?

A: Generally, when you have FEHBP coverage because you or your spouse are working, FEHBP is primary. If you have FEHBP coverage and you or your spouse are retired, Medicare is primary. For additional information on primary and secondary coverage for other circumstances (such as re-employed annuitants, etc.), see your FEHBP plan brochure.

Q: Since I have FEHBP, are there any advantages to joining a Medicare drug plan?

A: If you have limited income and resources (see question 3 below) you can reduce your drug costs significantly by joining a Medicare drug plan. However, if you do not qualify for extra help you will gain little, if anything. In some cases, having a Medicare plan may reduce your drug copayments slightly (for example, if you are in an FEHBP plan with a drug deductible of more than \$250, or are in an FEHBP plan that requires a large copayment for a brand name drug. However, it is unlikely that you would save as much as the approximately \$384 (average) annual premium of a Medicare drug plan.

3. Can people with FEHBP and Medicare qualify for extra help paying prescription drug costs under a Medicare Prescription Drug Plan?

Yes. People with FEHBP and Medicare who have limited income and resources may qualify for extra help paying the Medicare prescription drug plan premiums, deductibles, and co-pays. If you have Medicaid, a Medicare Savings Program, or SSI, you automatically receive extra help and do not need to apply for it. Other people who think they may qualify for Medicare's extra help need to apply for it. People who think they may qualify for Medicare's extra help can apply for it and still keep their FEHBP pharmacy coverage. Information about applying for extra help is shown below.

■ If your annual household income is below \$14,700 (or \$19,800 if you are married and living with your spouse), you may qualify. These amounts may be higher if

- you provide at least half of the support of other relatives living in your household or
- you reside in Alaska or Hawaii, or
- you are working

There are also income exclusions for the working blind and disabled.

■ To get the extra help with Medicare drug plan costs your countable resources generally must be valued below \$11,500 (or \$23,000 if you are married and living with your spouse). The resource limits include \$1,500 per person for burial expenses. Resources include the value of things you own. Some examples of countable resources are

- real estate (other than your primary residence)
- bank accounts, including checking, savings and certificates of deposit
- stocks
- bonds, including U.S. Savings Bonds
- IRAs
- mutual funds
- cash at home, or anywhere else

■ Some things are not counted as resources, such as

- your primary residence
- your vehicle(s)
- your household goods and personal possessions
- resources you could not easily convert to cash, such as farm machinery and livestock, jewelry and home furnishings
- money conserved for medical and social services
- federal income tax refunds
- property you need for self-support such as rental property, or land you use to grow produce for home consumption
- life insurance policies owned by an individual with a combined face value of \$1,500 or less. An individual and spouse could have a total of \$3,000.

If you believe you may qualify for Medicare's extra help, you can request an application from the Social Security Administration (SSA) by calling SSA at 1-800-772-1213 or you can go to www.socialsecurity.gov on the web to apply online. After you apply, you will get a notice in the mail that tells you if you qualify. SSA's application process provides you with the quickest aid decision. You can

also apply at your local Medicaid office. Your state determines if you qualify for the extra help or other assistance your state provides.

If you think you may qualify for Medicare's extra help, you may apply for it and still keep your FEHBP pharmacy coverage. As noted in the example under question 2 above, Medicare's extra help may be a better deal than FEHBP alone. You may be financially better off by applying for Medicare's extra help, and if eligible for it, joining a Medicare drug plan, while still keeping your FEHBP pharmacy coverage. It is very important to note that FEHBP prescription drug coverage is an integral part of the total health benefits package. You cannot drop FEHBP pharmacy coverage without also dropping FEHBP coverage for hospital and medical services which would mean you might have significantly higher costs for those services.

For more information about Medicare prescription drug coverage...

- visit www.medicare.gov on the web and select "search tools" to get personalized information.
- call your State Health Insurance Assistance Program (see your copy of the "Medicare & You 2006" handbook for their telephone number). You can also call 1-800-MEDICARE (1-800-633-4227), or look at www.medicare.gov on the web to get the telephone number. TTY users should call 1-877-486-2048.
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For more information about FEHBP Benefits...

For FEHBP questions beneficiaries can be referred to www.opm.gov/insure/health

There are programs for people with limited income and resources who live in Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa. Programs vary in these areas. To find out more about their rules, call your State Medical Assistance Office, visit www.medicare.gov on the web or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.